

**BOWATER INCORPORATED**  
**SOUTHERN DIVISION**  
Calhoun, Tn. 37309-0188  
Telephone 615-336-2211  
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OUTWARD FAX

TO: Mr. Michael A. Drozd  
Vice President, Operations  
Gwalia (USA LTD.)

DATE: 7/24/89

CODE (S): 303-592-4586

*Southscan 181*

FROM: Harvey M. Templeton, III

TOTAL NO. OF PAGES 6

COPIES: Mr. Pat Blackerby - Carolina Division Woodlands

Re: Bowater Tract 1282, P. 1  
McCormick County, SC  
Exchange Agreement

*Hm*

Attached is a draft Exchange Agreement for use in the subject exchange. After you have had an opportunity to review the document, please call me to discuss. Phone: 615-336-7203



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EXCHANGE AGREEMENT

This Agreement is entered into on \_\_\_\_\_, 1989, by GWALIA (USA) LTD., a Delaware corporation ("Gwalia"), and BOWATER INCORPORATED (successor by merger to Catawba Timber Company), a Delaware corporation ("Bowater").

WHEREAS, Bowater owns the real property described in Exhibit "A" attached hereto and made a part hereof (the "Bowater Property"); and

WHEREAS, Gwalia wishes to acquire the Bowater Property by exchanging therefor real property hereafter acquired by Gwalia (the "Exchange Property").

W I T N E S S E T H:

In consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Bowater agrees to convey the Bowater Property to Gwalia in exchange for like-kind property to be designated by Bowater and acquired by Gwalia for conveyance to Bowater, and Gwalia agrees to acquire the property designated by Bowater and convey the same to Bowater in exchange for the Bowater Property. It is the intention of the parties hereto that the exchange of the Bowater Property for the Exchange Property as provided for in this Agreement qualify as an exchange of property of like-kind within the meaning of Section 1031 of the Internal Revenue Code of 1954, as now in effect and regulations thereunder. However, Gwalia makes no representations or warranties that said exchange will so qualify.

2. This Agreement shall become effective on the date hereof and shall remain in effect for a period of eighteen months or until the exchange contemplated by this Agreement is completed, whichever first occurs, unless extended and/or modified pursuant to paragraph 9. The date when such eighteen-month period elapses shall be the termination date of this Agreement.

3. As soon as practicable after the date hereof, Bowater shall begin the selection of one or more tracts or parcels of land which will comprise the Exchange Property. Bowater will be responsible for negotiating for the purchase of such tracts or parcels. Bowater will be responsible for examining title to any tract or parcel that will become part of the Exchange Property.

4. Upon finalization of negotiations for the purchase of each particular tract or parcel, Bowater shall deliver to Gwalia a written request that Gwalia execute a contract for the purchase of such tract or parcel. Such contract may be in the form of an option. Each such written request shall constitute a contractual agreement of Bowater to accept a conveyance of such tract or parcel as part of the Exchange Property in exchange for the Bowater Property. Thereafter, Bowater will provide for title examination and acquisition of each property in the name of Gwalia using all or any portion of the Exchange Value, as defined below, which will be made available for purchase of each property on ten days' notice from Bowater.

5. Bowater shall have the right to select and negotiate for the purchase of as many tracts or parcels as it deems prudent. To the extent such tracts are purchased by Gwalia, they will collectively comprise the Exchange Property. Provided, however, the aggregate purchase price for all such tracts or parcels, and all attendant direct costs incurred by Gwalia in such transactions, shall not exceed the Exchange Value, as defined below.

6. At a time and place to be agreed upon by the parties, the exchange of properties shall be closed (the "Closing") by Gwalia conveying the Exchange Property to Bowater by special warranty deed subject only to those exceptions and encumbrances which were approved by Bowater at the time of acquisition and Bowater simultaneously conveying the Bowater Property to Gwalia by general warranty deed, subject only to those exceptions and encumbrances, if any, of record as of the date hereof, and subject to the reservations set forth in Exhibit "A."

7. Gwalia shall, at its own expense, make whatever examination of the title to the Bowater Property it deems necessary for its purposes.

8. For purposes of this exchange the parties hereby agree that the value of the Bowater Property and the amount to be paid by Gwalia (whether in cash, through the conveyance of the Exchange Property or the incurring of direct costs) shall be \$511,305.43 (the "Exchange Value"). If the costs incurred by Gwalia to acquire the Exchange Property, including the price paid for the property and all direct costs incurred by Gwalia in acquiring the Exchange Property, shall be less than the Exchange Value, then Gwalia will pay the deficiency to Bowater at the Closing, as provided in paragraph 9. All such direct costs will be a credit against the Exchange Value. Gwalia shall not be required to expend more in direct costs, including the purchase price of the various tracts or parcels, than the Exchange Value in acquiring the Exchange Property.

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9. If Bowater should fail to designate a sufficient amount of Exchange Property for acquisition by Gwalia prior to the termination date of this Agreement, then the Closing shall take place within 15 days thereafter at which time Bowater will convey the Bowater Property to Gwalia as described in paragraph 6 above, Gwalia shall convey such tracts and parcels it has acquired to Bowater as described in paragraph 6 above, and Gwalia shall pay Bowater by certified or cashier's check an amount equal to the remaining Exchange Value less Bowater's prorata share of ad valorem taxes, if any.

10. Each party shall be responsible for payment of the transfer fees and taxes and recording fees applicable to the deed or deeds which the party receives at Closing. Ad valorem taxes on the Bowater Property and the Exchange Property shall be prorated at Closing. Gwalia's portion of the taxes on the Exchange Property shall not be considered part of the Exchange Value.

11. Any loss or damage occurring to the Bowater Property after the date hereof shall be the responsibility of Gwalia, and any loss or damage to the Exchange Property occurring after acquisition by Gwalia and prior to conveyance to Bowater shall be the responsibility of Bowater. Each party shall have the right to enter the property being acquired by it from the other for the purpose of taking all action deemed necessary to reduce said risk of loss.

12. Gwalia shall not be required to enforce by legal action any option or contract made in its name to purchase Exchange Property, and in case of any dispute involving same, Gwalia shall promptly assign that option or contract and all of its rights thereunder to Bowater without recourse or warranty, and Bowater shall reimburse Gwalia for all direct costs (including earnest money)

incurred by Gwalia in connection with that contract or option and shall indemnify Gwalia and hold Gwalia harmless with respect to any claims that may be asserted against Gwalia under such contract or option.

13. Any notice or property designation required under this Agreement shall be sufficient if delivered in person or by certified mail addressed to the parties as follows:

If to Bowater: H. M. Templeton, III  
Division Counsel  
Bowater Incorporated  
Carolina Division  
Calhoun, Tennessee 37309

If to Gwalia: Gwalia (USA) LTD.  
Attention: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

14. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors, and assigns.

15. This Agreement shall be governed by the laws of the State of South Carolina.

IN WITNESS WHEREOF, the parties hereto have signed, sealed, and delivered this Agreement on the date first above written.

ATTEST:

GWALIA (USA) LTD.

\_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

ATTEST:

BOWATER INCORPORATED

\_\_\_\_\_  
Harvey M. Templeton, III  
Assistant Secretary

By \_\_\_\_\_  
George W. Flanders  
Vice President-Woodlands  
Manager, Carolina Division

EXHIBIT "A"  
to  
EXCHANGE AGREEMENT

Bowater Incorporated Tract No. 1282, Parcel 1, located in McCormick County, South Carolina, and being more particularly described as follows:

Being all of Parcel 1 of Tract 1282 conveyed by East Highlands Company to Catawba Timber Company by deed dated January 1, 1979, and of record in Deed Book 49, page 142, in the Office of the Clerk of Court for McCormick County, South Carolina, containing 148 acres, more or less.

The southeastern boundary of said property was subsequently modified by two boundary line agreements dated November 17, 1980, and November 18, 1980, and of record respectively in Deed Book 54, page 14, and Deed Book 54, page 15, in the Office of the Clerk of Court for McCormick County, South Carolina, so that said property now consists of 148.02 acres.

RESERVING unto Bowater Incorporated and its successors and assigns all coal, oil, gas, associated hydrocarbon substances, and all metallic or non-metallic minerals and ores which contain mineral matter or substances and mineral rights in, on, or under the above-described property together with the right to explore for and remove same by any method. Subject, however, to the Mineral Lease between Bowater Incorporated and Gwalia created by exercise on \_\_\_\_\_ of an Option to Lease dated September 1, 1985. The Mineral Lease shall survive the conveyance by Bowater Incorporated of the above-described property to Gwalia.

SUBJECT to existing easements and rights of way for public roads and highways and public utilities, if any, extending into, through, over, or across the above-described property.

Prior title reference: Deed Book 49, page 142, Office of the Clerk of Court for McCormick County, South Carolina.